# Fact Sheet
# AB 613 (Beall)
# Medi-Cal: Treatment Authorization Requests

## PROBLEM

State and federal laws require the state to ensure that Medicaid patients have the same access to health care services as does the general insured public. However, at this time, Medi-Cal patients are denied access to more physicians and a wider range of services due to a very low level of physician participation in the Medi-Cal program and an overly burdensome treatment authorization and billing process. In order to correct this problem, it is crucial that the State take advantage of opportunities to simplify administrative processes and reduce unnecessary red tape.

## THIS BILL

California state law requires Medi-Cal providers to obtain prior authorization for specific medical procedures and services before reimbursement is approved. This authorization process is called the Treatment Authorization Process (TAR).

Existing law requires the Department of Health Care Services (DHCS) to pursue means to improve and streamline the TAR process. AB 613 helps achieve this mandate by requiring DHCS to take the following steps to increase efficiency.

First, AB 613 requires DHCS to perform a cost benefit analysis for each procedure that requires a TAR and reduce the number of TARs required. Such analysis would help guide policy to decrease the number of unnecessary TARS. Ultimately, a TAR should be required only for those services with a tendency for over-utilization, a high level of fraudulent activity and or demonstrates cost-benefit gain.

Second, AB 613 mandates DHCS to develop an alternative to the requirement that a patient obtain a TAR for each individual day of their stay in the hospital, and instead, consider adopting a single TAR for the entire length of stay.

Finally, AB 613 would require DHCS to develop more effective alternative approaches for fraud and abuse detection and reduce the number of days within which a TAR would be authorized.

## SUMMARY

It is the goal of this bill to create a more efficient TAR system that would result in cost savings to both the State of California and the service providers.

When the TAR program was implemented, it was intended to ensure that patients received appropriate medical care in a timely manner, while simultaneously working to ensure cost control through the identification of services that were being overused or abused. However, according to a study commissioned by the Medi-Cal Policy Institute, the TAR program has not been able to achieve these objectives.

Approval of TARs is necessary. However, many providers – including hospitals – often encounter delays and inconsistencies within the TARs system, and this in turn results in delayed payments.

Hospitals and other providers spend a great deal of time and resources appealing denied claims, which they eventually win.

According to the Medi-Cal Policy Institute's report, Medi-Cal takes longer than any other

organization to process a TAR. Of all the healthcare organizations surveyed, most had a standard two day turnaround. In comparison, Medi-Cal's TAR approval process takes an average of 9 to 12 working days. AB 613 would work to fix this problem by reducing the number of days within which TARs would be authorized.

As the TARs process stands, patients and their medical care are negatively impacted. The Medi-Cal Policy Institute's report demonstrated this when it found that the majority of medical providers in California find the TAR process overly burdensome and limits beneficiaries access to necessary medical tests and specialty consultations.

AB 613 would address several of the deficiencies in the current TAR system. Not only would the Department of Health Care Services reduce the number of unnecessary TARs, it would also develop alternative approaches for fraud and abuse detection.

## STATUS/VOTES

**Assembly Health Committee**

## SUPPORT

California Hospital Association (Sponsor)
California Children's Hospital Association
Pomona Valley Hospital Medical Center
Methodist Hospital
Pacific Alliance Medical Center
Henry Mayo Newhall Memorial Hospital
Hollywood Presbyterian Medical Center
Olympia Medical Center
Presbyterian Intercommunity Hospital
Alhambra Hospital Medical Center
St. Vincent Medical Center
Pacifica Hospital Of The Valley
Glendale Adventist Medical Center

## OPPOSITION

None